

**IF IT LOOKS TOO GOOD. . .**

New York Post; New York; Mar 11, 2002; Christopher Byron;

**Abstract:**

*In fact, the only real asset Natexco had were its shares, which became shares in DioMed when Natexco was merged last month into a privately owned British company named DioMed, Ltd. that happened to be in the aforementioned micro-invasive modality business. In the merger, 29 million shares of DioMed were created, with roughly half going to the old Natexco owners and half to the British crowd.*

*I am also sure that a Mr. Ajmal Khan, who works the penny stock circuit under the moniker Verus International, has good and legitimate reasons for holding 4.4 million shares of DioMed in a Post Office box in the Cayman Islands, as appears to be the case through a footnote in a recent DioMed financial filing.*

*\* DioMed board member Ajmal Khan has 4.4 million shares of DioMed in a post office box in the Cayman Islands. He's also a board member of four companies that, like DioMed, started trading via reverse mergers. All four soared, then plummeted.*

**Full Text:**

(Copyright 2002, The New York Post. All Rights Reserved)

WANT a good sign that the bull market is making a comeback? Then look no further than some of the recent action on the American Stock Exchange, where big fortunes get turned into little ones with the regularity of the tides.

Case in point: an instructive little pile-up in the making known as DioMed, Inc. The New York Post introduced you to this outfit last week, and here's some more you may want to know about it.

Exactly what this Massachusetts-based biotech company does is hard to say, except perhaps, if one reads the financials, that it seems to involve the sale of "clinical modalities in micro-invasive medical procedures."

In any case, there's apparently not a whole lot of demand for them at the moment because, if you read the company's financials, it turns out that DioMed had sales of less than \$10 million last year.

NOR does it seem that the micro-invasive modality game is what you'd call a license to print money, no matter how many you sell. DioMed's financials show that the company took in revenues of roughly \$30 million in the last four years, while spending \$50 million simply to get it.

As for the folks at DioMed who are calling the shots in all this, well, one of them turns out to be a Canadian-based stock promoter who has a large cache of the company's stock tucked safely away in the Cayman Islands.

One of the board members is a Briton who got sanctioned in the Barings Bank swindle and has been barred from serving on the board of a public company in the U.K. until almost just the other day.

The company's financials also inform us that DioMed's auditor is the Arthur Andersen accounting firm of Enron fame. And for icing on the cake comes a recent DioMed press release declaring that the company has just added to its board of directors some pointless window dressing in the form of a former Canadian Prime Minister, Ms. Kim Campbell.

So, why does all this add up to evidence that the bull market is back? Because DioMed is exactly the sort of stock that should send any normal person fleeing the room at the mere mention of its name: suspect auditor, offshore accounts, weird product, teeny-weeny revenues, board members with back-stories - this stock's got it all, the complete package.

YET in spite of all that, DioMed's share price has actually soared 2,800 percent on the Amex - from 25 cents to more than \$7 - in just the last eight weeks, by far the greatest gain of any listed stock on Wall Street this year.

Well, to be perfectly fair about it, the run-up wasn't actually caused by everyday Amex investors at all.

In reality, DioMed was actually tee'd up in a way that has put more than 99 percent of the gain in the pockets of a clique of inside investors via a gimmick known as a "reverse merger into a penny- stock shell" but we'll get into all that in a minute.

First, however, some ruminations regarding the action on the Amex itself these days - most notably in light of reports that the New York Stock Exchange has opened talks to acquire the American Stock Exchange, where outfits like DioMed abound.

Now, if those reports are true, then here is a bit of helpful advice to NYSE Chairman Richard Grasso, to hasten the inevitable outcome of the deal: Dick, why not just hose down the trading floor with two or three gallons of Ebola virus and get it over with quick, because that's what you'll be doing to the NYSE's reputation as a more-or-less safe place to invest your money if you invite in the crowd from down the street.

Though it has largely been forgotten by now, the Amex began life back in 1921 when the NYSE threw out a bunch of penny-stock brokers as being too disreputable even to let in the door.

The group marched up the street to a building behind Trinity Church, where they set themselves up as something called the New York Curb Exchange and began trading stocks all over again.

In 1953, the group changed its name to the American Stock Exchange, but it has never managed to get the stink off its shoe as a pump-and-dump romper room.

As recently as last December, the General Accounting Office issued a critical report of the Amex's listing standards, which basically boil down to letting the Exchange list almost any company imaginable, no matter how cheesy or suspect.

In January, the Amex told the Securities & Exchange Commission that it was Honest to God going to be tightening things up (right after lunch) - to which Mr. Harvey Pitt, who runs the SEC, pronounced himself "pleased," with the result that things now seemed to have returned to business as usual.

THAT'S where DioMed comes in. This company began life in 1998 as a Canadian penny stock, incorporated in Nevada under the name Natexco Corp., and supposedly in the business of providing advertising services to other itty-bitty companies like Natexco, which was run out of the founder's house in Vancouver.

As of last November, when Natexco filed its final quarterly financial statement before morphing into DioMed, the company's balance sheet showed a grand total of \$64 in cash, \$10,298 of total assets, and \$2,357 of quarterly revenues.

In fact, the only real asset Natexco had were its shares, which became shares in DioMed when Natexco was merged last month into a privately owned British company named DioMed, Ltd. that happened to be in the aforementioned micro-invasive modality business. In the merger, 29 million shares of DioMed were created, with roughly half going to the old Natexco owners and half to the British crowd.

BASED on a fairness letter from New York's Atlas Capital, which figured that DioMed's business was worth perhaps as much as \$140 million, the stock began trading on the Amex at a bit less than \$5.50 per share, and has by now climbed to more than \$8.50.

Now I am sure that DioMed is worth every penny of \$140 million for its cutting edge involvement in the micro-invasive clinical modality business.

And I am also sure that a Mr. Ajmal Khan, who works the penny stock circuit under the moniker Verus International, has good and legitimate reasons for holding 4.4 million shares of DioMed in a Post Office box in the Cayman Islands, as appears to be the case through a footnote in a recent DioMed financial filing.

Certainly Mr. Khan has had plenty of experience in this general area, since a search of recent Amex listings shows him as a board member of four separate companies that arrived on the Amex via the reverse merger route - each of which soared and then plummeted.

What I can't quite figure out though, is why it's not possible to track down another fellow named Mohamed Patel, who appears to have paid \$50,000 to a web newsletter named TGR, LLC, to crank out stock hyping recommendations on DioMed for the next year.

The Web site distributing the current of these reports - the so-called Smallcap Network - carries a fine-print disclaimer describing Mr. Patel vaguely as an "individual," which presumably means he wasn't acting for Mr. Khan and his Verus International outfit.

But when I called Verus International, which happens to hold Ajmal Khan's stash of DioMed in the Caymans, a fellow named James Arkoosh came on the line.

Jim turns out to be DioMed's chairman of the board, and he said that he had no idea who, or where, Mohamed was - though he did say that he "may have met him casually once or twice." It's all just so confusing.

Maybe Dick Grasso will be able to straighten it all out if and when the Amex becomes part of the NYSE.

-----

Look before you leap

DioMed stock has soared 2,800 percent on the Amex in the last eight weeks, posting the biggest gain of any listed stock this year by a large margin. But before you invest, there are some things you might want to know:

- \* In 1998, DioMed was a Canadian penny stock.
- \* It was incorporated in Nevada as Natexco Corp., and last November had \$64 in cash, \$10,298 in total assets (mostly stock) and \$2,357 in quarterly revenues.
- \* It was merged into DioMed, a biotech company with little revenue, fishy products and even fishier board members.
- \* DioMed board member Ajmal Khan has 4.4 million shares of DioMed in a post office box in the Cayman Islands. He's also a board member of four companies that, like DioMed, started trading via reverse mergers. All four soared, then plummeted.
- \* Another board member is a Briton who was barred from serving on boards of public companies in the U.K.
- \* DioMed is listed on the American Stock Exchange, which has been criticized for allowing trading of suspect companies.

**[Illustration]**

Kim Campbell, former prime minister of Canada and a DioMed board member. AP

---

NAICS:523210 NAICS:523210 Duns:00-166-6379 Duns:00-172-4194  
Start Page: 031  
Companies: American Stock Exchange Duns:00-166-6379 NAICS:523210

DioMed Inc  
New York Stock Exchange Duns:00-172-4194 NAICS:523210

Natexco Corp  
Verus International

---

Reproduced with permission of the copyright owner. Further reproduction or distribution is prohibited without permission.